

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION

EDWARD B. WINSLOW, Individually and on )	Civil Action No.
Behalf of All Others Similarly Situated, )	
Plaintiff, )	
	<u>CLASS ACTION</u>
vs. )	
	<u>DEMAND FOR JURY TRIAL</u>
BANCORPSOUTH, INC., AUBREY B. )	
PATTERSON, JR., JAMES V. KELLEY and )	
WILLIAM L. PRATER, )	
Defendants. )	
_____ )	

**COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS**

## INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of BancorpSouth, Inc. (“BancorpSouth” or the “Company”) between July 23, 2009 and February 25, 2010, inclusive (the “Class Period”), against BancorpSouth and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934 Act”).

2. BancorpSouth is a financial holding company. Through its principal bank subsidiary, BancorpSouth Bank (the “Bank”), the Company conducts commercial banking and financial services operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. BancorpSouth’s principal activities are that of a commercial bank, providing commercial and retail banking services, personal and corporate trust, agency and investment services, consumer lending, credit life insurance, investment brokerage services and insurance products.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company’s business and financial results. Defendants engaged in improper behavior which harmed BancorpSouth’s investors by failing to disclose the extent of seriously delinquent commercial real estate loans and construction and land loans. The Company also failed to adequately and timely record losses for its impaired loans, causing its financial statements to be materially false. As a result of defendants’ false statements, BancorpSouth’s stock traded at artificially inflated prices during the Class Period, reaching a high of \$25.13 per share on October 14, 2009.

4. On February 25, 2010, after the market closed, BancorpSouth announced that it would be postponing the filing of its Form 10-K with the SEC for the year ended December 31, 2009, in order to further review its allowance for credit losses and their impact on the Company’s

results. BancorpSouth further reported that based on its review, it expected to adjust its previously reported financial results for the quarter and year ended December 31, 2009 to decrease net income.

5. On this news, BancorpSouth's stock plummeted \$3.10 per share to close at \$19.47 per share on February 26, 2010, a one-day decline of over 13% on high volume.

6. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Defendants failed to properly account for BancorpSouth's construction and commercial real estate loans, failing to reflect impairment in the loans;

(b) Defendants had not adequately reserved for BancorpSouth's loan losses such that its financial statements were presented in violation of Generally Accepted Accounting Principles ("GAAP"); and

(c) The Company failed to maintain proper internal controls related to its accounting for its loan loss reserves.

7. As a result of defendants' false statements and omissions, BancorpSouth's common stock traded at artificially inflated prices during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down nearly 23% from their Class Period high.

### **JURISDICTION AND VENUE**

8. Jurisdiction is conferred by §27 of the 1934 Act, 15 U.S.C. §78aa. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act, 15 U.S.C. §78j(b) and 78t(a), and SEC Rule 10b-5, 17 C.F.R. §240.10b-5.

9. Venue is proper in this District pursuant to §27 of the 1934 Act, as the defendants transact business in this district and many of the transactions giving rise to this action occurred in this district.

10. BancorpSouth has operations in Tennessee, including having 33 bank branches and two offices which provide insurance and investing services in the state. In addition, BancorpSouth's subsidiary, Personal Finance Corporation, is incorporated in Tennessee.

### **PARTIES**

11. Plaintiff Edward B. Winslow purchased BancorpSouth common stock as described in the attached certification and was damaged thereby.

12. Defendant BancorpSouth operates as a financial holding company for the Bank, which provides commercial banking and financial services to individuals, and small-to-medium sized businesses.

13. Defendant Aubrey B. Patterson, Jr. ("Patterson") is, and at all relevant times was, Chairman of the Board and Chief Executive Officer ("CEO") of the Company and the Bank.

14. Defendant James V. Kelley ("Kelley") is, and at all relevant times was, President and Chief Operating Officer ("COO") of the Company and the Bank and a director of the Company.

15. Defendant William L. Prater ("Prater") is, and at all relevant times was, Treasurer and Chief Financial Officer ("CFO") of the Company and Executive Vice President, CFO and Cashier of the Bank.

16. Defendants Patterson, Kelley and Prater (the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of BancorpSouth's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse

facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

### **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

17. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about BancorpSouth. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of BancorpSouth common stock was a success, as it: (i) deceived the investing public regarding BancorpSouth's prospects and business; (ii) artificially inflated the price of BancorpSouth common stock; and (iii) caused plaintiff and other members of the Class to purchase BancorpSouth common stock at inflated prices.

### **CLASS ACTION ALLEGATIONS**

18. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired BancorpSouth common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

19. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. BancorpSouth has over 83 million shares of stock outstanding, owned by hundreds if not thousands of persons.

20. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;

- (b) whether defendants omitted and/or misrepresented material facts;
- (c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) whether the price of BancorpSouth common stock was artificially inflated; and
- (f) the extent of damage sustained by Class members and the appropriate measure of damages.

21. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

22. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

23. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

### **BACKGROUND**

24. BancorpSouth operates as a financial holding company for the Bank, which provides commercial banking and financial services to individuals, and small-to-medium sized businesses in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri, and Illinois. It generates various deposits, such as interest bearing and noninterest bearing demand deposits, saving deposits, and time deposits. The Company provides various commercial loan services, including term loans, lines of credit, equipment and receivable financing, and agricultural loans, as well as a range of short-to-medium term secured and unsecured commercial loans to businesses for working

capital, business expansion, and the purchase of equipment and machinery. Its residential consumer lending activities consist of the origination of fixed and adjustable-rate residential mortgage loans secured by owner-occupied property, construction loans, second mortgage loans, and home equity lines of credit; and its non-residential consumer lending activities comprise automobile loans, recreation vehicle loans, boat loans, secured and unsecured personal loans, deposit account secured loans, and student loans. The Company also serves as an agent in the sale of title insurance; commercial lines of insurance; and a line of property and casualty, life, health, and employee benefit products and services. In addition, it offers investment services comprising brokerage, investment advisory, and asset management services; and trust services, including personal trust and estate services, and employee benefit accounts and plans, such as individual retirement accounts and corporate trust functions. BancorpSouth is headquartered in Tupelo, Mississippi.

#### **DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD**

25. After the market closed on July 22, 2009, BancorpSouth announced its second quarter 2009 financial results, in a release which stated in part:

##### **Summary Results**

BancorpSouth's net income for the second quarter of 2009 was \$33.9 million, or \$0.41 per diluted share, compared with \$40.1 million, or \$0.49 per diluted share, for the second quarter of 2008.

*"As our second quarter financial results demonstrate, BancorpSouth continued to perform well in this difficult economic environment,"* said Aubrey Patterson, Chairman and Chief Executive Officer of BancorpSouth. "In our traditional banking business, the strengths of both our market position and operating fundamentals were evident as our loan portfolio continued to experience modest growth, the net interest margin remained stable, net interest revenue increased and credit quality remained strong. In addition, noninterest revenue continues to provide greater revenue diversification, while mitigating the impact of interest rate volatility.

"These strengths in combination with our focus on controlled growth and expense management produced solid profitability for the second quarter. The Company's net income included the negative impact of a special FDIC assessment totaling \$6.1 million, which was more than offset by increases in the valuation of the mortgage servicing rights and other noninterest revenue items. *Our operating results*

*contributed to a further strengthening of our financial position, and we entered the second half of 2009 with appropriate reserves against losses inherent within our portfolio and with ample liquidity.*

*“BancorpSouth’s results for the second quarter, as well as throughout this economic downturn, validate our continued confidence in our conservative business model, which is designed to produce long-term growth despite the effects of the economic cycle and interest rate volatility. With a strong capital base, high quality assets and revenue diversification, we are well-positioned to manage through the current economic environment. We will remain focused on maintaining strong credit quality through early identification and resolution of any credit issues, as well as on controlling growth and managing expenses.* In addition, our financial strength enables us to continue implementing a thoughtful expansion strategy and evaluating strategic opportunities that are consistent with our long-term growth objectives.”

\* \* \*

#### Asset, Deposit and Loan Activity

Total assets at June 30, 2009 declined 0.8 percent to \$13.3 billion from \$13.4 billion at June 30, 2008. Total deposits of \$10.2 billion at June 30, 2009 increased 3.6 percent from \$9.8 billion at June 30, 2008. Loans and leases, net of unearned income, increased 3.0 percent to \$9.8 billion at June 30, 2009 from \$9.5 billion at June 30, 2008.

“In the context of the national economic environment, we attribute BancorpSouth’s ability to grow net loans and leases to the relative stability of our diversified geographic footprint and our careful expansion into attractive markets we understand well,” stated Patterson. “While we remain concerned about the slowing loan growth, we are confident of the long-term growth potential inherent in our eight-state franchise. As we work to position BancorpSouth to leverage sustained improvement in the economy, we will also continue to focus on controlled growth.”

#### Provision for Credit Losses and Allowance for Credit Losses

For the second quarter of 2009, the provision for credit losses was \$17.6 million compared with \$11.2 million for the second quarter of 2008 and \$14.9 million for the first quarter of 2009. Annualized net charge-offs were 0.55 percent of average loans and leases for the second quarter of 2009 compared with 0.30 percent for the second quarter of 2008 and 0.54 percent for the first quarter of 2009.

Non-performing loans and leases increased to \$97.7 million, or 1.00 percent of net loans and leases, at June 30, 2009 from \$46.0 million, or 0.49 percent of net loans and leases, at June 30, 2008 and from \$73.8 million, or 0.76 percent of net loans and leases, at March 31, 2009. The allowance for credit losses increased to 1.42 percent of net loans and leases at June 30, 2009 compared with 1.30 percent at June 30, 2008 and 1.39 percent at March 31, 2009.



Patterson said, ***“BancorpSouth’s credit quality continues to differentiate us from many of our peers in the financial services industry. Although an increase in non-performing loans and net charge-offs as a percentage of net loans and leases for the second quarter was not a surprise in an extended economic downturn, our credit quality remains strong relative to industry averages.*** The provision for credit losses of \$17.6 million exceeded our net charge-offs for the quarter of \$13.5 million, increasing our allowance for credit losses. At the end of the second quarter, our allowance for credit losses was 1.4 times non-performing loans and 2.6 times annualized net charge-offs for the quarter.”

\* \* \*

### Capital Management

BancorpSouth’s commitment to a strong capital base is one of its fundamental operating principles. The Company’s capital base was further strengthened during the second quarter of 2009, as the ratio of shareholders’ equity to assets improved on a comparable quarter basis for the 12(th) consecutive quarter, increasing to 9.59 percent at the end of the second quarter from 9.21 percent at the end of the second quarter of 2008 and 9.33 percent at the end of the first quarter of 2009. The ratio of tangible equity to assets also increased to 7.53 percent from 7.12 percent at the end of the second quarter of 2008 and 7.29 percent at the end of the first quarter of 2009. BancorpSouth remains a “well capitalized” financial holding company as defined by federal regulations.

### Summary

Patterson concluded, “While BancorpSouth’s operating strengths are highlighted by its performance in an unusually challenging environment, we remain appropriately cautious in our outlook due to uncertainty about economic conditions in the second half of 2009. Despite this uncertainty, ***our second quarter performance provides renewed confidence about our ability to weather the current environment and be well-positioned for further growth when the economic cycle improves.***

“This confidence also reflects our position as a strong financial institution with high quality assets, a well-capitalized financial position, diversified revenues and an attractive market franchise. ***The conservative business model that supports our differentiated performance in today’s environment is integral to our long-term growth prospects.*** Our long-term record through a number of economic cycles demonstrates our disciplined commitment to this business model, a commitment that we believe sustains our ability to achieve long-term growth in shareholder value.”

26. On this news, BancorpSouth’s stock closed up \$0.79 to close at \$20.60 per share on July 23, 2009. Thereafter, the Company’s stock began to climb, reaching the \$23-\$24 per share range by August 2009. BancorpSouth reached its Class Period high of \$25.13 per share on October 14, 2009.

27. On October 22, 2009, BancorpSouth announced its third quarter 2009 financial results, in a release which stated in part:

#### Summary Results

BancorpSouth's net income for the third quarter of 2009 was \$21.5 million, or \$0.26 per diluted share, compared with \$28.3 million, or \$0.34 per diluted share, for the third quarter of 2008.

Aubrey Patterson, Chairman and Chief Executive Officer of BancorpSouth, remarked, "BancorpSouth's third quarter results reflect a strong and stable net interest margin, well controlled expenses and solid operating performance in an otherwise difficult operating environment. ***The sustained profitable performance of our Company throughout this recent economic downturn continues to validate our deliberate and conservative long-term approach in managing through this business cycle.*** With a strong capital base, high quality assets and solid banking franchise, we remain confident that we are well positioned to manage through this period and continue operating a business plan that will result in achieving our long-term objectives.

"The prolonged economic downturn has put pressure on the financial services industry and BancorpSouth has experienced some of that pressure. During the third quarter, non-performing loans and leases increased \$14.0 million to \$111.6 million. This increase was primarily attributable to one loan totaling \$10.7 million that was placed on non-accrual during the third quarter. This loan, which is classified as a Shared National Credit, is part of our portfolio of \$140 million in loans outstanding where BancorpSouth acts as a participant with other banks.

***"Our provision for credit losses was \$22.5 million for the third quarter, while net charge-offs in the period were \$16.5 million. At quarter end, our allowance for credit losses was 1.48 percent of net loans and leases. We continue to focus on early identification and decisive resolution of any credit issues.***

"For the third quarter of 2009, the Company's financial results also included the impact of a \$4.1 million decrease in the value of our mortgage servicing rights compared with a \$1.0 million decrease in value for the third quarter of 2008 and a \$2.9 million increase in value for the second quarter of 2009. In addition, comparable quarter results continued to be affected by the major increase in the FDIC insurance premiums initiated in the first quarter of 2009, which totaled \$2.7 million more for the third quarter of 2009 than the third quarter last year."

\* \* \*

#### Asset, Deposit and Loan Activity

Total assets at September 30, 2009 were \$13.3 billion, virtually unchanged from the end of the third quarter last year. Total deposits of \$10.3 billion at September 30, 2009 increased 6.3 percent from \$9.7 billion at September 30, 2008.

Loans and leases, net of unearned income, increased 1.7 percent to \$9.8 billion at September 30, 2009 from \$9.6 billion at September 30, 2008.

“While growth opportunities have been very limited, we continue to concentrate on positioning the balance sheet to take advantage of opportunities that become available,” commented Patterson. “We are confident that our diversified geographic footprint positions us for stronger loan growth in an improving economic environment, but we will not relax our lending policies for the sake of growth in the current environment. We will continue our efforts to grow lower-cost deposits by expanding our core customer base and will evaluate strategic opportunities to expand and strengthen our franchise.”

#### Provision for Credit Losses and Allowance for Credit Losses

For the third quarter of 2009, the provision for credit losses was \$22.5 million compared with \$16.3 million for the third quarter of 2008 and \$17.6 million for the second quarter of 2009. Annualized net charge-offs were 0.68 percent of average loans and leases for the third quarter of 2009 compared with 0.45 percent for the third quarter of 2008 and 0.55 percent for the second quarter of 2009.

Non-performing loans and leases increased to \$111.6 million, or 1.14 percent of net loans and leases, at September 30, 2009 from \$65.2 million, or 0.68 percent of net loans and leases, at September 30, 2008 and from \$97.7 million, or 1.00 percent of net loans and leases, at June 30, 2009. The allowance for credit losses increased to 1.48 percent of net loans and leases at September 30, 2009 compared with 1.35 percent at September 30, 2008 and 1.42 percent at June 30, 2009.

Patterson added, *“As addressed earlier, the growth in non-performing loans was primarily driven by one larger credit that was placed on non-accrual during the quarter, while our loan portfolio as a whole continued to perform well given the length and severity of the recent recession. While we recognize that, the longer this period of economic weakness persists, troubled borrowers could find it increasingly difficult to comply with repayment terms, we are confident that our process to identify credit problems early will enable us to keep those problems manageable. All our loans were originated within our markets and our conservative lending and credit policies are designed to enhance our ability to work with each borrower to minimize risk of loss.”*

\* \* \*

#### Capital Management

BancorpSouth’s commitment to a strong capital base is one of its fundamental operating principles. The Company’s capital base was further strengthened during the third quarter of 2009, as the ratio of shareholders’ equity to assets improved on a comparable quarter basis for the 13th consecutive quarter, increasing to 9.69 percent at the end of the third quarter from 9.34 percent at the end of the third quarter of 2008 and 9.59 percent at the end of the second quarter of 2009. The ratio of tangible equity to assets also increased to 7.64 percent from 7.25 percent

at the end of the third quarter of 2008 and 7.53 percent at the end of the second quarter of 2009. BancorpSouth remains a “well capitalized” financial holding company, as defined by federal regulations.

#### Summary

Patterson concluded, “BancorpSouth’s third quarter operating performance highlighted many of the challenges we continue to face in an extended recessionary environment, as well as many of the strengths that have enabled us to consistently outperform our peers throughout the economic downturn. The fundamental basis of these strengths is our conservative operating philosophy that we believe best positions BancorpSouth to achieve long-term growth and increased shareholder value in an industry subject to interest rate and economic cycles.

“Because of our consistent adherence to this philosophy, BancorpSouth is not only well prepared to manage through the challenges presented in today’s market, but we are well positioned to generate additional growth in an improving economic environment. We have continued to prepare for organic growth by engaging existing customers with new products and services, winning new customers in existing markets and expanding our geographic footprint into attractive new markets. Through the consistent strengthening of our capital structure, we have also prepared to leverage opportunities for growth through strategic acquisitions.

“As a result of the Company’s strong market position and its performance throughout the economic downturn, we remain confident of BancorpSouth’s long-term growth potential. We have neither been, nor will we be, complacent about the impact of the current economic environment on our customers, our credit quality, our ability to produce revenue growth and manage expenses or our shareholder value. ***However, through the long-term orientation of our conservative business model, we have consistently prepared BancorpSouth to deal with the challenges of the full economic cycle, and we expect to emerge from the current downturn in a stronger competitive position than when the downturn began.***”

28. On January 21, 2010, BancorpSouth announced its fourth quarter and full year 2009 financial results, in a release which stated in part:

#### Summary Results

BancorpSouth’s net income for the fourth quarter of 2009 was \$19.4 million, or \$0.23 per diluted share, compared with \$16.8 million, or \$0.20 per diluted share, for the fourth quarter of 2008. Net income for the year ended December 31, 2009 was \$104.3 million, or \$1.25 per diluted share, compared with \$120.4 million, or \$1.45 per diluted share, for 2008.

Aubrey Patterson, Chairman and Chief Executive Officer of BancorpSouth, remarked, “BancorpSouth’s fourth quarter results reflected a strong operating performance given difficult industry conditions. Consistent with our performance throughout 2009, we maintained solidly profitable operations, stability in our net

interest margin at a relatively high and improving level, and strong growth in mortgage originations. Through effective pricing and extending the maturities of our deposit portfolio, we continued to manage our interest rate risk. We also significantly strengthened our already ample liquidity through reduced bank borrowings. We continued to expand our capital in each quarter of 2009 and have now achieved 14 consecutive quarters of growth in our ratio of equity to assets on a comparable quarter basis.

***“As anticipated throughout a year of steadily declining real estate values, our credit quality continues to be affected by a slow economy, particularly in the housing sector. While non-performing assets and net charge-offs have increased, both remain at manageable levels, and we continue to focus on early identification of potential problems and work aggressively to resolve those problems. To remain well reserved against inherent credit losses, we continued to build the allowance for credit losses through a fourth quarter provision for credit losses significantly in excess of net charge offs for the quarter. While we saw some signs of increased economic stability during the fourth quarter, we expect real estate values to remain under pressure in 2010.***

“Given the uncertain economic environment, we also remain appropriately conservative in our plans for branch expansion during 2010. On the other hand, we anticipate growth through market consolidation opportunities, especially those assisted by the FDIC. We are focused on acquiring strategic franchises with growth potential and strong core deposits. In addition to having the financial strength to support significant transactions, we have a long and successful record of integrating acquired companies with minimum market disruption, thereby maintaining or increasing market share.”

\* \* \*

#### Asset, Deposit and Loan Activity

Total assets at December 31, 2009 were \$13.2 billion, compared with \$13.5 billion at December 31, 2008. Total deposits were \$10.7 billion at December 31, 2009, an increase of 9.9 percent from \$9.7 billion at December 31, 2008. Loans and leases, net of unearned income, increased 0.9 percent to \$9.8 billion at December 31, 2009 from \$9.7 billion at December 31, 2008.

Patterson said, “Unlike many banks, we were able to offset loan runoff during 2009 with new loan production as we continued to serve the needs of our customers. Much of our new loan growth was produced in our newer markets, such as western Louisiana and eastern Texas, validating the strategic expansion of our geographic footprint. At the same time, the double-digit growth in demand deposits for the fourth quarter demonstrated the benefits of our focus on developing, maintaining and enhancing a strong deposit franchise. Demand deposits increased to 54.5 percent of our funding at the end of 2009 from 48.6 percent at the end of 2008. Because of the strength and relative stability of the diversified markets across our eight-state franchise, we remain confident of their inherent growth potential as the economic cycle improves.”

## Provision for Credit Losses and Allowance for Credit Losses

For the fourth quarter of 2009, the provision for credit losses was \$34.7 million compared with \$17.8 million for the fourth quarter of 2008 and \$22.5 million for the third quarter of 2009. Annualized net charge-offs were 1.01 percent of average loans and leases for the fourth quarter of 2009 compared with 0.57 percent for the fourth quarter of 2008 and 0.68 percent for the third quarter of 2009.

Non-performing loans and leases increased to \$145.1 million, or 1.48 percent of net loans and leases, at December 31, 2009 from \$64.0 million, or 0.66 percent of net loans and leases, at December 31, 2008 and from \$111.6 million, or 1.14 percent of net loans and leases, at September 30, 2009. The allowance for credit losses increased to 1.58 percent of net loans and leases at December 31, 2009 compared with 1.37 percent at December 31, 2008 and 1.48 percent at September 30, 2009.

***“The growth in our non-performing loans during the fourth quarter was primarily related to real estate loans in our more urban markets,” added Patterson. “Many of these loans reflect the cumulative pressure that the extended economic downturn in these markets has had on established customers that were performing well prior to and earlier in the downturn. As the increase in net charge-offs indicates, we took decisive action when warranted. This action included making a significant provision for credit losses for the fourth quarter. At the end of 2009, our allowance for credit losses was 1.1 times total non-performing loans and 1.6 times annualized fourth quarter net charge-offs.”***

\* \* \*

## Capital Management

BancorpSouth’s commitment to a strong capital base is one of its fundamental operating principles. The Company’s capital base strengthened further during the fourth quarter of 2009, as the ratio of shareholders’ equity to assets improved on a comparable quarter basis for the 14th consecutive quarter, increasing to 9.83 percent at the end of 2009 from 9.20 percent at the end of 2008 and 9.69 percent at the end of the third quarter of 2009. The ratio of tangible equity to assets also increased to 7.78 percent at the end of 2009 from 7.15 percent at the end of 2008 and 7.64 percent at the end of the third quarter of 2009. BancorpSouth remains a “well capitalized” financial holding company, as defined by federal regulations, with Tier 1 risk-based capital of approximately 11.56 percent at year end and total risk based capital of approximately 12.81 percent, compared with required minimum levels of 6 percent and 10 percent, respectively, to meet the definition of “well capitalized.”

## Summary

Patterson concluded, “We are encouraged by early signs of a stabilizing economy, but we are very cautious about prospects for a sustained recovery in 2010. Longer term, we remain fully confident about our ability to achieve our growth objectives. This confidence is reinforced by the Company’s performance during the

past two years in the most challenging environment we have experienced. Throughout, BancorpSouth has produced solid profits, demonstrated strong credit metrics and risk management, and expanded its liquidity and capital while also increasing cash dividends that, in 2009, rose for the 26th consecutive year.

“Importantly, we have remained fully engaged in our markets, making new loans, working with our customers who have experienced financial difficulty and offering strength and stability for our communities in a difficult economic environment. As a result, we have not only benefitted from expanding business with new customers attracted by our service orientation, financial stability and consistent performance, but also from the addition to our team of seasoned professionals who appreciate BancorpSouth’s business model and potential for long-term growth. While we expect the challenging environment to continue in the months ahead, our performance for 2009 is compelling evidence that we are positioned to perform well in the year to come and to take full advantage of strategic growth opportunities.”

29. On this news, BancorpSouth’s stock closed down \$1.32 per share to close at \$23.17 per share on January 22, 2010, a one-day decline of over 5% on high volume.

30. Then, on February 25, 2010, after the market closed, BancorpSouth issued a press release entitled “BancorpSouth Announces Delay in Filing Annual Report on Form 10-K,” which stated in part:

BancorpSouth, Inc. today announced its intention to file a Form 12b-25 notification of late filing with the Securities and Exchange Commission in connection with its Annual Report on Form 10-K for the year ended December 31, 2009, which is due March 1, 2010. ***The reason for the delay in filing the annual report is that management has determined, in consultation with BancorpSouth’s independent registered public accounting firm and with the concurrence of the Audit Committee of the Board of Directors, that certain asset quality indicators, including the allowance for credit losses, and their impact on BancorpSouth’s financial statements for the quarter ended December 31, 2009 should be further reviewed.***

On January 21, 2010, BancorpSouth made a preliminary release of unaudited financial results for the quarter and year ended December 31, 2009. The unaudited financial results reported net income of \$19.4 million, which reflected a credit loss provision of \$34.7 million, for the fourth quarter. Net charge-offs were \$24.6 million, or 1.01% as a percentage of average loans (annualized) for the quarter ended December 31, 2009. Based on information currently available, ***management of BancorpSouth anticipates that the unaudited consolidated balance sheet and the consolidated income statement for the quarter and year ended December 31, 2009 will be adjusted prior to issuance of the Annual Report on Form 10-K. The adjustments are expected to decrease net income.***

The impact of management's review on the previously reported financial condition and results of operations of BancorpSouth cannot be estimated or determined until BancorpSouth has completed its review of the Bank's loan portfolio and the auditors have completed their examination.

Aubrey Patterson, Chairman and Chief Executive Officer of BancorpSouth, commented, "We are taking all actions necessary to release our final audited 2009 financial results as soon as possible. Regardless of the outcome of the current review, we are confidently looking forward to continued strong performance as a company."

31. On this news, BancorpSouth's stock dropped \$3.10 per share to close at \$19.47 per share on February 26, 2010, a one-day decline of over 13% on high volume.

32. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Defendants failed to properly account for BancorpSouth's construction and commercial real estate loans, failing to reflect impairment in the loans;

(b) Defendants had not adequately reserved for BancorpSouth's loan losses such that its financial statements were presented in violation of GAAP; and

(c) The Company failed to maintain proper internal controls related to its accounting for its loan loss reserves.

33. As a result of defendants' false statements and omissions, BancorpSouth's common stock traded at artificially inflated prices during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down nearly 23% from their Class Period high.

### **LOSS CAUSATION/ECONOMIC LOSS**

34. During the Class Period, as detailed herein, the defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of BancorpSouth common stock and operated as a fraud or deceit on Class Period purchasers of BancorpSouth common stock by misrepresenting the Company's business and prospects. Thus, instead of truthfully disclosing during the Class Period that BancorpSouth's



business was not as healthy as represented, defendants falsely concealed the extent of its credit impairment on its commercial real estate and land development and construction loan portfolios and the threat to its entire business from its failure to properly account for its loan loss reserves. Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of BancorpSouth common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of BancorpSouth common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

## **COUNT I**

### **For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants**

35. Plaintiff incorporates ¶¶1-34 by reference.

36. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

37. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of BancorpSouth common stock during the Class Period.

38. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for BancorpSouth common stock. Plaintiff and the Class would not have purchased BancorpSouth common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

## **COUNT II**

### **For Violation of §20(a) of the 1934 Act Against All Defendants**

39. Plaintiff incorporates ¶¶1-38 by reference.

40. The Individual Defendants acted as controlling persons of BancorpSouth within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of BancorpSouth stock, the Individual Defendants had the power and authority to cause BancorpSouth to engage in the wrongful conduct complained of herein. BancorpSouth controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

## **PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

## **JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: May 12, 2010

BARRETT, JOHNSTON & PARSLEY  
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